



29 August 2007

## APA GROUP DELIVERS ANOTHER STRONG RESULT AND INCREASE IN ANNUAL DISTRIBUTIONS

### FINANCIAL HIGHLIGHTS

- **Total revenue: up 40.5%** to \$532.7 million;
- **EBITDA: up 48.1%** to \$296.8 million;
- **Operating profit after income tax and minorities: up 6.4%** to \$64.5 million;
- **Underlying Operating Cash Flow: up 39.9%** to \$157.0 million;
- **Underlying Operating Cash Flow per security: up 6.8%** to 41.4 cents per security;
- **Full-year distributions: up 16.7%** to 28.0 cps.

*(Figures above have been adjusted for significant items)*

APA Group (APA) today announced another strong financial result with a 39.9 % rise in underlying operating cash flow for the year ended 30 June 2007 to \$157.0 million and delivered a 16.7 % increase in full-year distributions to security holders.

Growth in operating cash flow, a key metric for the business, was boosted by a number of acquisitions during the year as well as a healthy increase in throughput on APA's existing pipelines.

Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) rose 48.1% to \$296.8 million while net profit after tax rose 6.4% to \$64.5 million, the seventh consecutive increase since listing in 2000.

APA Directors declared a final unfranked distribution of 7.0 cents per security (cps), taking total distributions for the financial year to 28.0 cents, an increase of 4.0 cps, or 16.7 % over the previous year.

APA is one of Australia's leading energy transmission companies, transporting nearly 40 % of the country's natural gas through its 10,000 kilometres-long network of pipeline infrastructure. APA also has interests in a coal seam gas (CSG) processing plants, gas storage facilities and high voltage electricity transmission cables.

During fiscal 2007 APA expanded its portfolio of assets by acquiring the gas transmission business GasNet Australia, the Allgas gas distribution business, the Directlink electricity transmission cable linking the Queensland and New South Wales power markets and the Origin Energy Networks assets.

Each of these assets were carefully targeted for their growth potential and strategic fit with APA's existing business.

Contributions from GasNet and Allgas were the primary drivers of a 40.5 % increase in total revenue over the year to \$532.7 million. Strong performances across the majority of APA's other pipelines especially in Queensland and Western Australia also contributed. This more than offset the contracted reductions in revenue on the Moomba to Sydney Pipeline ('MSP') in NSW and Amadeus Gas Pipeline ('AGP') in Northern Territory, which have been previously foreshadowed to the market.



APA expects to build on this excellent revenue result in fiscal 2008 when full-year contributions from each of the recently acquired assets will flow through.

Significant items after income tax in fiscal 2007 amounted to a loss of \$7.8 million compared with a gain of \$1.9 million in the previous year. One off expenses in fiscal 2007 included legal and advisor costs associated with Alinta of \$7 million, a \$5.3 million provision for SCC (Stress, Corrosion and Cracking) repairs and a revaluation gain of \$1.2 million on interest rate hedges.

Net profit after significant items was \$56.8 million, down from \$62.5 million in fiscal 2006.

Toward the end of fiscal 2007, APA and Alinta announced the conclusion of all operating and equity relationships, and the termination of all legal proceedings. This brought to an end a long period of uncertainty with regard to the long term ownership of APA.

As part of the settlement agreement, APA will acquire all the operating and maintenance service contracts on its pipelines which have been provided by Alinta, giving APA direct operational control over all of its assets.

As well as building its asset base in fiscal 2007, APA strengthened its balance sheet, raising more than \$600 million in equity through a variety of offerings, and refinancing more than \$2.8 billion in debt. APA is well protected against rising interest rates with over 72% of its current exposure hedged or at fixed rates.

APA Managing Director Mick McCormack said the 2007 fiscal year was a year of transition for the group which saw it expand through prudent and strategic acquisitions and deliver on its strategy of being a major player in developing, owning and operating infrastructure.

“APA doubled the value of its asset base to \$4.2 billion over the past year and these assets were a key contributor to what is a very pleasing profit result.

“In fiscal 2007, APA extended its presence to every mainland state using a disciplined approach to target strategic acquisitions. At the same time we strengthened our balance sheet through effective capital management and, as promised, delivered an increased distribution to security holders.”

Mr McCormack said while fiscal 2008 will focus on bedding down and integrating new assets in the portfolio and leveraging the benefits they bring to the expanded APA Group, APA will continue to examine investment opportunities that arise as a result of industry consolidation.

## **OUTLOOK**

Operating cashflows from the business are expected to remain strong in fiscal 2008, strengthened by recent acquisitions. APA directors are confident the group will continue to grow cash distributions in fiscal 2008 by at least CPI.

APA confirms market consensus for EBITDA in the range of \$380 million to \$390 million for the 2008 financial year, an increase of approximately 30%.

## FINANCIAL SUMMARY

The following table provides a summary of key financial data for the financial year:

	Year ended	Year ended	Change compared to	
	30 June 2007	30 June 2006	2006	
	\$000	\$000	\$000	%
<b>Operating results before significant items</b>				
Pipeline transportation revenue	393,131	278,956	114,175	40.9
Electricity transmission revenue	17,193	3,188	14,005	439.3
Other tolling revenue	1,209	1,199	10	0.8
Other pipeline revenue – passthrough	95,911	85,727	10,184	11.9
Other revenue	25,256	9,958	15,298	153.6
Total revenue	532,700	379,028	153,672	40.5
EBITDA	296,842	200,402	96,440	48.1
Depreciation	(69,783)	(38,849)	(30,934)	(79.6)
EBIT	227,059	161,553	65,506	40.6
Net interest expense	(136,625)	(71,120)	(65,505)	(92.1)
Pre-tax profit	90,434	90,433	1	0.0
Income tax expense	(25,802)	(29,438)	3,636	12.4
Operating profit after tax and minorities, before significant items	64,530	60,661	3,869	6.4
<b>Significant items</b>				
Alinta related legal actions	(7,000)	-	(7,000)	-
SCC repair and investigative work	(5,265)	(11,300)	6,035	-
Revaluation gain – 'ineffective' interest rate hedges	1,165	-	1,165	-
Tariff dispute resolution	-	3,262	(3,262)	-
Significant items before income tax	(11,100)	(8,038)	(3,062)	-
Tax effect of significant items	3,330	2,411	919	-
Tax-consolidation benefit – APA Group	-	7,512	(7,512)	-
Significant items after income tax	(7,770)	1,885	(9,656)	(512.1)
Profit after income tax and minorities	56,760	62,546	(5,787)	(9.3)

## Financial Measures

	FY 2007	FY 2006	Change compared to 2006	
Underlying operating cash flow (OCF) (\$m)	\$157.0m	\$112.2m	\$44.8m	39.9%
Underlying OCF per security (cents)	41.4c	38.7c	2.6c	6.8%
Net Tangible Asset Backing per security	\$1.99	\$2.09	\$(0.1)	(4.8)%
Earnings Per Security (cents) - before significant items	17.0c	20.9c	(3.9)c	(18.8)%
Earnings per security (cents)	15.0c	21.6c	(6.6)c	(30.8)
Interest Cover Ratio (x)	2.0	2.3	-	-
Gearing Ratio (%)	69.0	67.9	-	-

HSBC Building  
Level 19  
580 George Street  
Sydney NSW 2000  
PO Box R41  
Royal Exchange NSW 1225

Phone 61 2 9693 0000  
Fax 61 2 9693 0093  
www.pipelinetrust.com.au

# APA Group



Australian Pipeline Ltd  
ACN 091 344 704

Australian Pipeline Trust  
ARSN 091 678 778

APT Investment Trust  
ARSN 115 585 441

## **About APA Group (APA)**

APA Group, comprised of Australian Pipeline Trust and APT Investment Trust, is the major ASX-listed energy transmission company in Australia with interests in more than 10,000 kms of natural gas pipeline infrastructure, over 2,300 kms of gas distribution networks in south east Queensland, Coal Seam Gas processing plants, gas fired power stations, gas storage facilities and two high voltage direct current interconnector systems. APA's interests also extend to the provision of management and operations services to gas distribution and transmission company Envestra (which owns 19,100 km of natural gas distribution networks and 1,029 km of natural gas transmission pipelines), a 17.2 percent stake in Envestra and a one-third interest in the SEAGas pipeline. The Group has a varied and quality customer base including AGL Energy, Cooper Eromanga Basin Producers, Xstrata, Newmont, CS Energy, BHP Billiton, Zinifex, Incitec Pivot, Origin, RioTinto, Nickel West, Synergy and Verve Energy.

## **For further information please contact:**

Mick McCormack, APA Group  
Telephone: (02) 9693 0000  
Email: [mick.mccormack@pipelinetrust.com.au](mailto:mick.mccormack@pipelinetrust.com.au)

Stephen Woodhill, Gavin Anderson & Company  
Telephone: (02) 9552 4499 or Mob: 0411 052 362  
Email: [swoodhill@gavinanderson.com.au](mailto:swoodhill@gavinanderson.com.au)